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DAC*

MCDONNELL DOUGLAS

1996

MCDONNELL DOUGLAS FINANCE CORPORATION
4060 Lakewood Blvd., 6th Floor
Long Beach, California 90808

*Copy to
Vogeding
Emery
Heath
Bisset*

DATE: June 27, 1996
NO. OF PAGES: Lead + 2

TO: Mike Cave
COMPANY: DAC
TEL:
FAX: (8) 496-6502

TO:
COMPANY:
TEL:
FAX:

CC:

RECEIVED

JUN 27 1996

MIKE CAV

FROM: Steve W. Vogeding
COMPANY: MDFC
Executive Offices

TEL: (310) 627-3106
FAX: (310) 627-6574

REMARKS:



URGENT



FOR YOUR REVIEW



REPLY ASAP



PLEASE COMMENT

Mike:

The attached MOU is a recital of the greensheet dated June 10 plus the indemnity I briefly discussed with you at the videoconference. Please call with any comments or concerns. We are prepared to transfer prior to June 30 as apposed to July 1.

Please deliver immediately.

Call the sender at the above number if there is a problem with transmission

June 27, 1996

**MEMORANDUM OF AGREEMENT
BETWEEN
DOUGLAS AIRCRAFT COMPANY
AND
MCDONNELL DOUGLAS REALTY COMPANY**

An analysis prepared by MDC-HQ has recommended that DAC completely vacate the Torrance facility in order to permit MDRC to initiate redevelopment of the property. This report concludes that evacuation of Torrance by DAC will result in a NPV cost savings of approximately \$45M.

By means of a "Greensheet" dated June 10, 1996, which was circulated and executed by DAC, MDRC and certain MDC officers, DAC has been authorized to transfer the Torrance facility to MDRC. The transfer will be effective July 1, 1996, at the Net Book Value which will be reflected in the inner company accounts as of July 1, 1996. This property transfer will facilitate the sale of the initial forty (40) acre parcel to a third party.


DAC has shall vacate all tenants/organization from the Torrance facility: (i) the first forty (40) acres by August 1, 1996, and (ii) the balance of the property (130) acres by the current target date of November 30, 1997 (including removal of remaining DAC equipment and personnel by December 31, 1997). The parties further agree that the evacuation of the 130 acres could be delayed by mutual consent in order to effect MDC cost savings. To the extent DAC is unable to meet the above deadlines, DAC shall reimburse MDRC for any third party contractual penalties actually incurred by MDRC due to DAC's failure to timely vacate the Torrance facility. In addition, MDRC will pay for reasonable 1996 moving costs that result in more costs than are included in the current 1996 Torrance budget in an amount not to exceed \$1.5M. Relocation costs for 1997, and later years, will be included in DAC's (and its tenants') operating plans and shall be borne by these parties.

From July 1, 1996 through the date of DAC's complete evacuation of the Torrance facility, DAC shall pay to MDRC as rent the equivalent of the depreciation costs of the facilities actually occupied by DAC and its tenants as well as property and other related taxes. All other ownership and operating costs of the facilities occupied by DAC and its tenants shall be borne DAC. To the extent any portion of the facility is under the exclusive control of MDRC (i.e., the forty acre parcel), taxes and utilities shall be borne by MDRC on a prorata basis.

MDRC will incur all costs necessary to prepare and hold the property for sale, including asbestos and environmental costs up to \$25M (this figure represents MDC's best estimate of the cost of site remediation). Any costs in excess of \$25M will be borne by DAC if the Torrance redevelopment project is in a loss position that MDC must recognize.

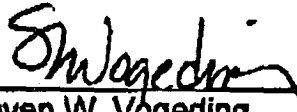
Subsequent to the execution of the MDRC Greensheet (dated June 10, 1996), MDRC was made aware of a lawsuit filed April 5, 1996 by some thirty tenants and property owners (past and present) located south and east of the subject property. This lawsuit named MDC and DAC, as well as twenty-six other corporations, alleging as cause of action nuisance, trespass, negligence, strict liability and intentional and negligent infliction of emotional distress. Inasmuch as MDRC is not a party to this legal action nor in title at the time the alleged tortious action took place, MDC/DAC shall indemnify and hold MDRC harmless from any and all costs and expenses in any way related to this complaint or any other lawsuit or liability related to DAC's possession of the property

This memorandum sets forth the basic terms of the working agreement between DAC, MDC and MDRC regarding the redevelopment of the Torrance Facility.



Michael J. Cave
Vice President - Chief Financial
Officer
Business Operations
Douglas Aircraft Company

Date: 7/1/96



Steven W. Vogeding
Chief Financial Officer
McDonnell Douglas Realty Company

Date: 6/27/96